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Farm Supply Cooperatives

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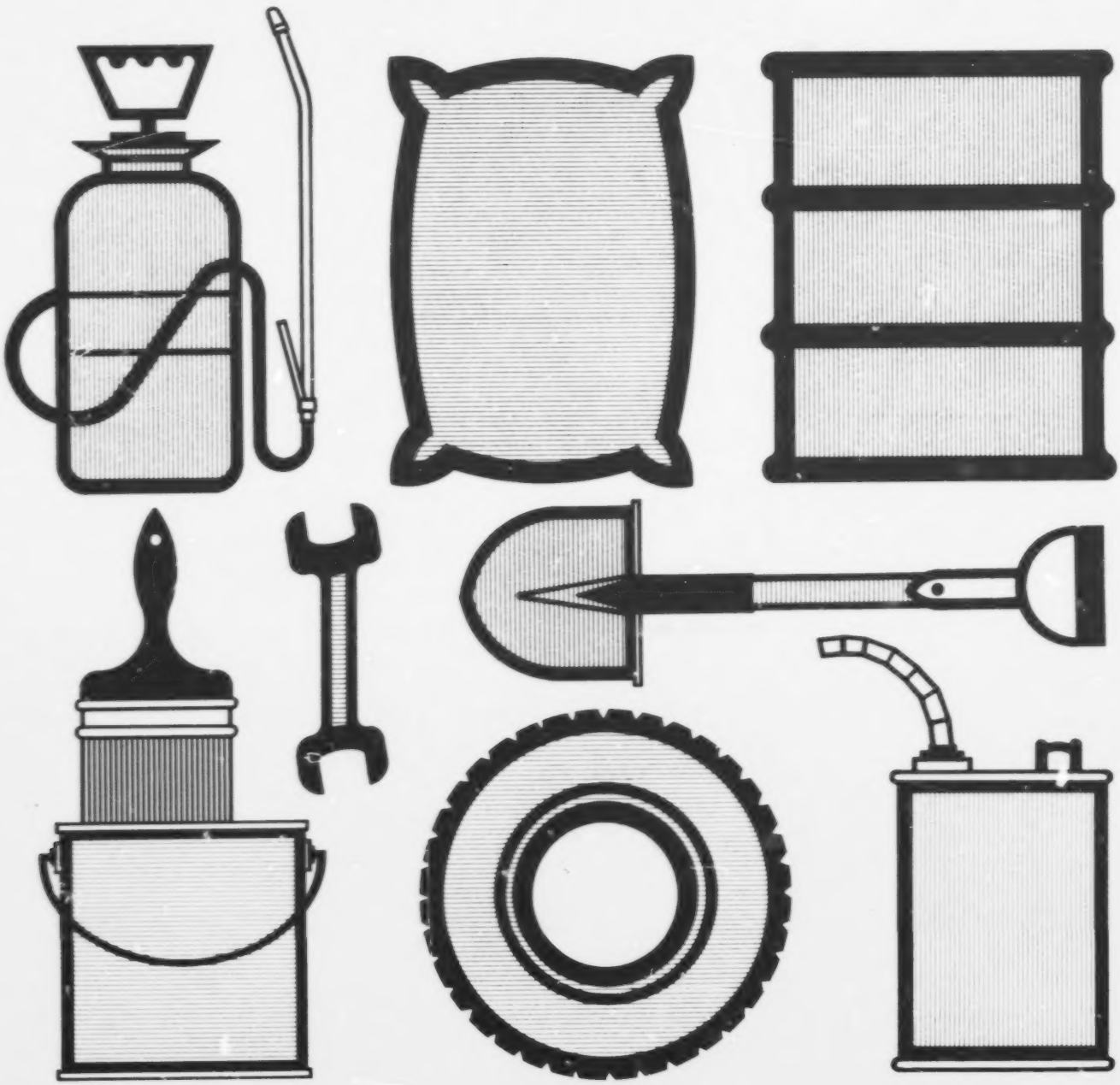
Structure, Operations, and Growth in the Midsouth



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FARM SUPPLY COOPERATIVES:
Structure, Operations, and Growth in the Midsouth

Lloyd C. Biser
Agricultural Economist
Cooperative Marketing and Purchasing Division
U.S. Department of Agriculture
Agricultural Cooperative Service
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Abstract

Supply sales of Midsouth cooperatives grew at an annual rate of 43 percent from 1951 to 1983. This rate of growth was unequaled by supply cooperatives in any other region of the United States. Total cooperative sales of 300 member locals reached $1.1 billion in 1983. Supply sales in the five-State area averaged 13 percent of farm production expenditures in 1973 and 22 percent in 1983. Outside factors had only limited effect on cooperative growth. Regionals operated generally free of cooperative competition and serve member locals in a State area. Cooperative management practices and teamwork contributed most to faster growth: Regional managers, dedicated to serving farmers first, developed and coordinated teamwork between regional and local operations; local support and commitment encouraged cooperative employees to help each other help the farmer.

Key words: Production supplies, market share, management practices, operating performance, cooperative structure.

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Preface

Findings in a study of cooperative growth from 1951 to 1981 and published in 1984 showed supply cooperatives in the South Central region grew faster than supply cooperatives elsewhere in the United States. Four federated regional cooperatives serving 400 local cooperatives in five States of the region had even faster growth rates between 1953 and 1983.

The purpose of this study was to determine the reasons they grew faster and increased market share, to determine if other than cooperative factors affected growth rates, and to determine what effect cooperative structure, operating policies, and management practices had on faster growth of Midsouth cooperatives.

Four regional and 12 local cooperative operations in Alabama, Arkansas, Mississippi, and Tennessee were observed, management interviewed, questionnaires completed, and operating statements and annual reports obtained. Operating data were combined for the regionals, 12 locals, and sales volume of 300 locals to show trends in sales, margins, expenses, and savings from 1973 to 1983.

Cooperative structure and operating policies of regionals and locals were analyzed to evaluate factors for growth. Cooperative supply sales of 300 member locals were compared with farm production expenditures in each State to determine cooperative growth and share of supplies sold to farmers over the 10-year period.

Management practices were rated by regional and local managers and growth factors were ranked as most important. Combined operating data, management practices, and manager ranking of growth factors were considered in determining important factors affecting faster growth of Midsouth cooperatives.

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Highlights

The four federated regional cooperatives in the Midsouth were formed by groups of locals from 1935 to 1945. Regionals serve 300 member locals in the 5-State area, including about 400 local outlets and branches. Regionals generally serve States while locals serve counties.

Regionals purchase, store, manufacture, market, export, and deliver products and services to member locals. They affiliate with other cooperatives and firms and provide basic products and services such as fertilizer, petroleum, feed, seed, farmstead equipment, and supplies. They provide personnel to aid member locals in all phases of operation, including sales, financing, credit, insurance, and training.

Federated locals have their own boards of directors and hired managers and operate independently of regionals. However, they receive help when requested and depend on regionals for supplies and services. Operating policies are similar to regionals with boards of directors setting policy guidelines and managers and staff handling operations.

Total regional sales went over the billion dollar mark in 1981, but fell 13 percent to $875 million in 1983. Regional sales grew at an annual rate of 18 percent from $309 million in 1973 and at an annual rate of 32 percent from 1973 to 1981.

Net margins declined from 3.4 percent of sales in 1978 to 2.5 percent in 1983. Average operating expenses increased from 6.5 percent in 1978 to 6.8 percent in 1983 while declining sales affected net margins.

The average regional earned 6.4 percent return on assets in 1978, 6.3 percent in 1981 and 4.6 percent in 1983. Equity to net assets (solvency) increased from 61 percent in 1978 to 66 percent in 1983. Lower liabilities and higher equity in 1983 showed improved operating performance.

Twelve local cooperatives averaged an annual growth rate of 16 percent from 1973 to 1983, compared with the regional average growth rate of 17 percent to 1983. Patrons equity increased from 52 percent in 1978 to 55 percent in 1983, while average net margins for the local cooperatives fell from 5.6 percent in 1978 to 4.0 percent in 1983.

Total supply sales of 300 member locals reached $984 million in 1981 and declined 13 percent to $873 million in 1983. Supply sales grew at an annual rate of 33 percent from 1973 to 1981, but averaged 23 percent over the 10-year period, from 1973 to 1983.

Cooperative supply sales in the 5-State area averaged 13 percent of farm production expenditures of $2.0 billion in 1973. By 1983, cooperative share rose to 22 percent, ranging from 12 percent in Alabama to 45 percent in Tennessee.

From 1951 to 1983, Midsouth cooperative sales grew at an annual rate of 43 percent. This rate of growth was unequaled by supply cooperatives in any other region of the United States. From 1973 to 1983, the growth rate averaged 23 percent and 46 percent from 1953 to 1983.

Growth related factors outside cooperative operations had limited impact on cooperative growth in the Midsouth during the period. The trend to diversified farming increased demand for some supplies, and farm production expenditures increased at about the same rate as in other regions but at a slower rate than cooperative supply sales.

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Growth of regional cooperatives depends on management, sales, commitment, and support of member locals. Many Midsouth locals were operating in the 1920's prior to forming the four regionals and the greatest growth occurred for the Midsouth regionals and other cooperatives during the economic expansion of the 1950's.

Some external cooperative factors had more impact on cooperative growth. Midsouth regionals generally operate free of cooperative competition and serve member locals in a State area. Most also have product sources nearby, which lowers costs and increases operating efficiency.

Cooperative management and employees working together at the regional and local level make the system work. Regionals dedicated to serving farmers first have promoted a cooperative environment of teamwork through leadership example and communication. This philosophy has spread through the system with locals and regionals working hand in hand to effectively serve farmers. This generally accounts for faster growth of Midsouth cooperatives.

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Farm Supply Cooperatives:

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Lloyd C. Biser

Agricultural Economist

The combination of one-crop agriculture, sharecropping, and limited farm credit slowed farm production and marketing and delayed early cooperative development in the Midsouth. By the turn of the century, representatives of the Grange and Farmers Union were organizing small groups of farmers in cooperative purchasing and marketing activities. Little success was evident until the passage of the Smith-Lever Act in 1914. Through the efforts and activities of State and county Farm Bureau associations working with Extension Service personnel, marketing and purchasing pools were formed to help farmers realize savings in operations.

Capper-Volstead, passed by Congress in 1922, gave impetus to the cooperative movement in the Midsouth. With assurance of the legality of farm cooperatives, Farm Bureau representatives stepped up their efforts to organize cooperatives in agricultural counties, emphasizing the economic benefits of cooperatives. Working closely with State and county Extension Services, many county associations were organized and operated successfully in the 1920's.

When cooperative gains were in danger of being wiped out in the economic collapse of 1932, further support came through the banks for cooperatives set up under the Farm Credit Administration to provide credit and financing. Assistance programs for farmers also were provided by the Agricultural Adjustment Administration at the time.

Mississippi Federated Cooperatives began operations in 1935. The following year, Alabama Farmers Cooperative was formed by a group of locals. The period to 1951 was marked by growth and diversification in agricultural production and marketing, in agribusiness organizations, and in cooperatives. Southern Farmers and Tennessee Farmers regional cooperatives were organized in 1945. State and County Farm Bureau units and Extension Service personnel had key roles in organization and early operation of local associations, as well as in organizing regional cooperatives. Following is a brief description of the four regionals:

MFC Services (AAL) — The regional was organized in 1935 at the time the State of Mississippi chartered Mississippi Farm Bureau Federation. It was known as Mississippi Federated Cooperatives until 1967 when the name was changed to its present form. (Mississippi's Agricultural Association Law requires the letters AAL to follow the names of cooperatives operating under the law.) Supply sales made up 70 percent of total sales of $283 million in 1983. From headquarters in Madison, MS, MFC Services serves 126 member locals in Mississippi and Louisiana, including some direct store sales to farmers.

Alabama Farmers Cooperative, Inc. (AFC) — A group of operating locals formed the regional in 1936. AFC is owned by 55 member locals in Alabama and is headquartered in Decatur, AL. Some are under management contract with AFC. Total sales reached $232 million in 1983, with supply sales accounting for 40 percent of total sales.

Southern Farmers Association (SFA) — Headquartered in North Little Rock, AR, the regional was formed by a group of local associations in 1945. SFA had total cooperative supply sales of $161 million to 51 member locals in Arkansas and 26 member locals in Louisiana in 1983.

Tennessee Farmers Cooperative (TFC) -- It was organized in 1945 by 33 county Farm Bureau associations. TFC, with headquarters in La Vergne, TN, had total cooperative supply sales of $247 million to 79 member locals in 1983, including 138 outlets in 87 counties.

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PRESENT ROLE OF MIDSOUTH COOPERATIVES

The four regional cooperatives in the Midsouth are federations of local cooperatives. They were formed by groups of locals from 1935 to 1945 to purchase products in quantity at wholesale prices. Boards of directors, composed primarily of farmers, spelled out operating policy. Regional managers executed those policies while working with federated member locals.

The four regional cooperatives have 300 local members. More than 400 local cooperatives and branch locations are served by the four. About three-fourths of the locals are supply cooperatives and one-fourth are combination supply and marketing operations. Local membership in a regional is usually gained by purchase of shares of stock and/or earned by minimum product purchase from or through the regional.

Total Cooperative Sales

Total sales of 300 member locals of regional cooperatives amounted to $358 million in 1973, increased to $870 million in 1978, and reached $1.3 billion in 1981. Total cooperative sales grew at an average rate of 32 percent between 1973 and 1981. From 1981 to 1983, total sales declined 15 percent to $1.1 billion. Over the 10-year period, 1973 to 1983, total sales increased at an annual rate of 21 percent (table 1).

Local cooperative supply sales were $984 million in 1981, increasing at an annual rate of 33 percent from 1973. Supply sales declined 13 percent to $873 million in 1983 but averaged an annual rate of growth of 23 percent over the decade from 1973.

Supply Sales and Share of Market

Cooperative share of the farm supply market can be determined by comparing local cooperative supply sales with farm production expenditures. Market share for member locals will be less than total cooperative share in the States of the Midsouth because not all local cooperatives are members of the four regionals. However, market share will provide a measure of the impact of 300 local and four regional cooperatives working together.

Local supply sales will be allocated to the States where supplies are sold to farmers and compared with farm production expenditures in that State to determine market or cooperative share.

From 1973 to the high volume year of 1981, local cooperative supply sales increased at a high average annual rate of 33 percent in the Midsouth (table 2). Average annual rates of growth in the States ranged from 25 percent in Louisiana to 43 percent in Arkansas. Declining supply sales from 1981 to 1983 lowered the annual rate of growth to 23 percent over the 10-year period. Local cooperatives in Tennessee led all States in volume of supply sales in each time period.

Farm production expenditures in Midsouth States increased at a slower annual rate than cooperative supply sales from 1973 to 1983. Production expenditures may be lower in some cases than total farm production expenditures for the States because some expenditure items not

Table 1—Trends in total sales of 300 local cooperatives

Item	1973	1978	1981	1983
		1,000 dollars		
Supply sales	268,346	632,541	983,645	873,213
Marketing sales	89,803	237,550	296,320	241,079
Total	358,149	870,091	1,279,965	1,114,292

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handled by cooperatives are not included (table 3). For example, machinery and equipment sales are not included because few coopcratives handle these items.

Cooperative share of the farm supply market in each State and time period is shown in table 4. In 1973, cooperative supply sales of $268.3 million in the 5-State area accounted for 13.2 percent of farm production expenditures of $2,029.3 million. Cooperative supply share in 1983 ranged from a low of 12 percent in Alabama to 45 percent in Tennessee. Although cooperative supply sales fell 13 percent from 1981 to 1983, cooperative share of the market increased slightly from 21.5 percent in 1981 to 21.7 percent in 1983.

Table 2—Trends in local cooperative supply sales in the Midsouth

State	1973	1978	1981	1983
		Million dollars		
Alabama	30.7	78.9	112.7	95.8
Arkansas	49.4	117.2	220.4	206.8
Louisiana	35.8	76.1	107.2	93.2
Mississippi	65.1	132.5	205.2	168.5
Tennessee	87.3	227.8	338.1	308.9
Total	268.3	632.5	983.6	873.2

Table 3—Trends in farm production expenditures in the Midsouth

State	1973	1978	1981	1983
		Million dollars		
Alabama	455.4	715.4	929.0	798.6
Arkansas	576.5	983.5	1,265.1	1,203.5
Louisiana	293.2	460.1	641.3	551.6
Mississippi	397.5	596.1	957.0	781.6
Tennessee	306.7	598.2	778.8	682.7
Total	2,029.3	3,353.3	4,571.2	4,018.0

Table 4—Trends in cooperative share of supply market in Midsouth

State	1973	1978	1981	1983
		Percent		
Alabama	6.7	11.0	12.1	12.0
Arkansas	8.6	11.9	17.4	17.2
Louisiana	12.2	16.5	16.7	16.9
Mississippi	16.4	22.2	21.4	21.6
Tennessee	28.5	38.1	43.4	45.3
Total	13.2	18.9	21.5	21.7

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REGIONAL COOPERATIVES

Midsouth regionals were formed by groups of local cooperatives to provide products and services needed by member locals. Regionals work through other regionals, interregionals, and in joint ventures with affiliates and subsidiary organizations to supply products and services to member locals. Affiliate members serve as the primary source for many of the basic farm supplies.

Regionals establish working relations with affiliate and subsidiary organizations through contract, lease, and/or ownership of product and facilities. While regional federations operate independently of member locals and affiliate members, they also cooperate and coordinate activities with member locals that control their own operations.

Regionals provide advisory assistance in management practices, in product sales, in general operations and sometimes, financial assistance to locals. They provide financial aid to supplement and support member locals to the point of sustaining operations.

Field representatives are employed by regionals to encourage locals to increase sales, add services, and operate more efficiently. Regionals provide training schools for local managers, employees, and staff. Training school graduates are recommended to locals as supervisors, assistant managers, and managers of smaller locals.

Products, Services, and Facilities

Regionals purchased more than 60 percent of their supplies from cooperative sources in 1983, compared with 54 percent in 1978. Seed, chemicals, petroleum, and animal health products account for the bulk of outside purchases.

Two of the four regionals, MFC Services and Alabama Farmers Cooperative, market grain, soybeans, vegetable plants, peanuts, and poultry and eggs, and export products in addition to sale of farm supplies and services. Tennessee Farmers manufactures farm equipment. All manufacture feed, blend fertilizer, and purchase farm supplies at wholesale prices for members. All purchase and deliver farm supplies and provide numerous services for member locals.

Regionals formulate feed, test and ensure quality control, provide feed ingredients, and handle and deliver bag or bulk feed. They store and handle petroleum, auto accessories, paints and fencing, tires and batteries, and auto and equipment repairs. Some formulate and apply chemical solutions, repair trucks, autos and farm equipment, and all handle hardware, tools, and supplies.

Each regional has several feed mills, storage and transfer warehouses, and bulk plants strategically located to serve member locals. Some have facilities and equipment to handle and market grain, soybeans, and peanuts. Almost all handle tires, batteries, auto accessories, and parts and services for truck and equipment repair. They handle seeds, plants, chemicals, animal health, hardware, small tools, and farm supplies.

The four regionals owned 284 trailers, 72 tractors, and a number of trucks of various sizes to provide and distribute these products to member locals and farmers. While regionals generally serve and distribute products to member locals in one State, two provide sales and service to members in an adjoining State.

Regional cooperatives process and manufacture some products, purchase, and deliver products and equipment to not only service member locals, but to serve other cooperatives and special groups of farmers. Some regionals own and operate local cooperative facilities and stores that retail directly to members.

Regionals have ownership in more than a dozen supply and marketing affiliated cooperatives and subsidiary organizations. They range from feed, fertilizer, petroleum, and seed cooperatives to research farms and the banks for cooperatives. Ownership investments in Universal and such interregional cooperatives as Mississippi Chemical Company and CF Industries are examples.

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Regional Sales Trends

Supply and marketing sales of Midsouth regionals were $309 million in 1973, rose to $735 million in 1978, and surpassed $1 billion in 1981. Total sales fell 27 percent to $875 million in 1983 (table 5). Total sales increased at an annual rate of 32 percent to 1981, but lower sales in 1983 reduced the annual rate to 18 percent over the 10-year period.

Total cooperative sales include revenue from leasing operations, subsidiary organizations, and direct retail outlets of regional cooperatives. Two regionals, MFC Services (AAL) and Alabama Farmers Cooperative, market and export farm products for farmers.

Supply Sales

All sales and operations of regional cooperatives in the Midsouth are combined and presented as average annual and period totals. Rate of growth is determined over time on the basis of average sales and operations of the four regionals.

Regional sales of supply items to member locals totaled $243 million in 1973, more than doubled to $566 in 1978, and reached a high of $813 million in 1981. Sales declined 22 percent to $665 million in 1983 because a severe drought in the Midsouth followed a late and wet spring, which severely damaged already late crops. Also, the Federal payment-in-kind program (PIK) to encourage farmers to reduce planted acres lowered cooperative sales of many production supplies.

Fertilizer, seed, and feed led the decline in cooperative supply sales in 1983 from 1981 (table 6).

Table 5—Trends in total and average sales of Midsouth regionals

Item	1973	1978	1981	1983
		Million dollars		
Total sales:				
Supply	242.7	565.9	812.9	664.5
Marketing	66.6	168.7	296.9	210.9
Total	309.3	734.6	1,109.8	875.4
Average sales:				
Supply	60.7	141.5	203.2	166.1
Total	77.3	183.6	277.5	218.8

Table 6—Trends in average regional supply sales and annual rates of growth of supply items

Supply item	Year				Annual growth	
	1973	1978	1981	1983	To 1981	To 1983
			Million dollars		*Percent*	
Feed	19.9	39.2	51.8	37.8	20.04	9.00
Seed	5.1	10.9	19.5	13.7	35.29	16.86
Fertilizer	16.1	37.6	58.0	41.8	32.53	15.96
Chemicals	5.9	22.6	31.3	27.7	53.81	36.95
Petroleum	5.9	14.9	22.3	19.3	34.75	22.71
Supplies	7.8	16.3	20.3	25.9	20.03	23.21
Total	60.7	141.5	203.2	166.2	29.35	17.43

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Average fertilizer sales fell 39 percent; seed, 42 percent; feed, 37 percent; petroleum, 15 percent; and chemicals, 13 percent. Only sales of farm supply items increased.

From 1973 to 1983, average regional supply sales increased at an annual rate of 17 percent. However, the annual rate of growth to 1981 was 29 percent (table 6). Long-term growth rates above 17 percent could be expected because lower 1983 sales were affected more by outside factors than cooperative operations.

Lower supply sales in 1983 affected average trend and growth rates. While feed sales increased to 1981, feed sales as a percentage of total supply sales fell from 33 percent in 1973 to 23 percent in 1983. Fertilizer sales went from 27 percent of supply sales in 1973 to 29 percent in 1981 but fell to 25 percent in 1983. Chemical and pesticide sales increased gradually, showing the greatest growth rates in 1981 and 1983. Seed and petroleum showed high growth rates to 1981 but fell off in 1983.

Financial Operations

Average regional supply sales increased 15 percent annually from 1978 to 1981, then declined 11 percent annually to 1983 (table 7). Net margins as a percent of sales increased 5 percent annually from 1978 to 1981 and declined 21 percent annually from 1981 to 1983. Operating expenses increased 2 percent annually while sales fell 11 percent annually from 1981 to 1983.

Rate of return on assets and ability to pay all legal debts (solvency) are signs of financial performance. The average regional earned 6.4 percent return on assets in 1978, 6.3 percent in 1981, and 4.6 percent in 1983. Solvency (equity to net assets) increased from 61 percent in 1978 to 66 percent in 1983. Lower liabilities and higher equity in 1983 resulted from improved operating performance (table 8).

Table 7—Trends in average supply operations of Midsouth regional cooperatives

Item	1978		1981		1983	
	Amount	Percent	Amount	Percent	Amount	Percent
			Million dollars			
Supply sales	141.5	100.00	203.2	100.00	166.2	100.00
Cost of sales	128.6	90.88	184.1	90.60	151.1	90.91
Gross margin	12.9	9.12	19.1	9.40	15.1	9.09
Operating expenses	9.2	6.51	10.8	5.32	11.3	6.80
Operating margin	3.7	2.61	8.3	4.08	3.8	2.29
Other income	2.5	1.77	1.4	.69	1.3	.78
Total margin	6.2	4.38	9.7	4.77	5.1	3.07
Other expenses	1.2	.85	3.9	1.92	1.0	.60
Net margin	5.0	3.53	5.8	2.85	4.1	2.47

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The four Midsouth regionals averaged a return on assets of 4.6 percent in 1983 and a solvency rate of 65.8 percent. Current assets to current liabilities ratio was 1.2 and long-term debt to equity was 52.0 percent. Net margins on total sales averaged 2.5 percent and expenses averaged a low 6.8 and ownership equity of 33.7 percent in 1983. While this regional would be considered representative of the four, it may be of interest to note similar operations of the top 100 cooperatives, which also included them.

The Nation's top 100 cooperatives had sales of $48.8 billion in 1983. Return on assets averaged 2.3 percent of sales, a solvency rate of 54.9 percent, and a current assets to current liabilities ratio of 1.3 in 1983. Net margins on sales averaged 2.3 percent, long-term debt to equity 76.8 percent, and ownership equity of 31.6 percent in 1983.

Midsouth regionals averaged higher in return on assets, solvency, net margins, and ownership equity than the average top 100 cooperatives. Current assets to current liabilities ratio was lower and long-term debt to equity was lower.

Table 8—Trends in average balance sheet data of Midsouth regional cooperatives

Item	1978		1981		1983	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	$1,000	*Pct.*	*$1,000*	*Pct.*	*$1,000*	*Pct.*
Assets:						
Current	40,839	53	53,833	59	52,230	58
Fixed	12,384	16	14,129	15	12,193	14
Investment	24,027	31	23,609	26	25,520	28
Total assets	77,250	100	91,571	100	89,943	100
Liabilities:						
Current	34,008	44	48,072	52	43,840	49
Long-term	17,012	22	16,171	18	15,778	17
Total liabilities	51,020	66	64,243	70	59,618	66
Equity:						
Capital stock	4,764	6	4,657	5	4,634	5
Patrons' equity	21,466	28	22,671	25	25,691	29
Total	26,230	34	27,328	30	30,325	34
Total liabilities and equity	77,250	100	91,571	100	89,943	100

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Regional Structure

Federated regional operations often include vertically integrated services such as processing farm products and wholesaling and manufacturing farm production supplies. Delegation of responsibility and authority to department and line managers and supervisors is required to attain control of product, services, and operations, and realize efficient performance at the regional. It takes a team effort of a large staff to communicate, purchase, handle local orders, transport, and supply needed products and services efficiently to member locals.

Board of Directors

Midsouth directors actively guide the operations of their cooperative. Directors represent the investment interests of local cooperatives. They are elected on a district basis by local cooperatives for each of the four regionals. They oversee, evaluate, and protect their members' interests in the cooperative. They provide policies and guidelines to assure member needs and services and hire managers to direct daily operations and operate effectively to meet member local requirements.

Balanced by youth and experience, directors of the four regionals total 40 members. As active farmers and sometimes local board members, they meet monthly to assess operations, determine policy, and set guidelines. Directors average 53 years of age, 67 years for the older group, and 37 years for the younger group. The older members average 40 years of farm experience and 22 years on the board, while younger members average 10 years of farm experience and 5 years as directors. Most are active farmers, except for some advisory members who may be public members, local managers, or retired board members elected or appointed for varying terms by the standing board.

Board members are generally elected by district, but some are elected at-large and in combination. Most directors are elected for 3-year terms and eligible for reelection. One regional elects board members for one term of 7 years, before revolving off the board for at least one term. They believe a longer term develops continuity and experience and gives more members the opportunity to chair and lead the cooperative.

General Managers

Long-time experience at their respective cooperatives reflects the stability and success of Midsouth regional cooperatives. The four managers averaged 25 years of service at the cooperatives and 22 years as general managers. Each expressed having management philosophies under which a great deal of authority is granted to department heads to get the job done. Performance incentives were used to encourage successful management. They reported guidelines as being set clearly by their boards of directors, but with allowance for managers to interpret and implement guidelines in daily operations.

Policies and Procedures

General

Regionals purchase most of their basic supplies, feed ingredients, chemicals, fertilizer, seed, and petroleum from affiliated cooperative sources. They strive for quality at competitive prices and for efficient delivery to locals. Regionals conduct planning, sales, and merchandising seminars

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and coordinate advertising, product promotion, and new service programs with member locals. They encourage advance orders and offer discounts to locals for direct shipment from manufacturer and/or local pickup from supply sources or regional warehouses. Locals call in orders any time and pick up orders on any working day. Delivery of products is made weekly on established routes or next day if needed.

Pricing

Regionals report their pricing policy is competitive with adjoining cooperatives and leading firms in the area and generally competitive or slightly higher on some items than discount outlets. Regionals try to establish a certain margin on all products handled. When purchase prices increase for the regional, they are generally passed on to the locals. Regionals generally prefer to stay with long-time suppliers if quality and price of products stay competitive.

All four regionals give quantity discounts on feed, fertilizer, seed, chemicals, and tires, batteries, and accessories. They amount to several dollars a ton on truck and carload shipments of feed and fertilizer and 5 to 10 percent on seed, chemicals, and tires, batteries, and accessories. Discounts are given also for early order, special booking, and direct shipment orders from the manufacturers.

Credit

Member locals purchase most products from the regional on credit. Discounts for cash range from 1 to 4 percent for 30-day terms or 1 percent on weekly terms. Interest charges on past due accounts range from 10 percent to 18 percent annually or 0.75 point over cooperative bank rates. A 1-percent discount is given when invoices are paid on time, on the previous week's purchases, or by the bank for some locals. Regionals work with locals to establish sound, workable credit programs, deposit and prepayment plans with discounts, performance incentive, and rebate programs in addition to patronage refunds.

Inventory

Most locals and regionals had inventory problems in 1983 because of the PIK program's impact on sales of chemicals, seed, and fertilizer. However, these inventory problems have been checked through cautious buying, better planning, and working closely with locals to determine future needs. Continuous inventory monitoring at regionals, where each division is charged for warehouse space, helps control the problem. Computer use and direct shipment of more supplies from manufacturers to member locals reduce inventory and lowers costs to locals.

Employees and Benefits

The four regionals averaged more than 500 full-time and 40 part-time employees. These employees were selected on the basis of education, experience, past performance, and farm background. The cooperatives reported that pay scales are comparable with their competitors. All regionals have a policy of promotion from within. This does not mean that experienced employees move up from member locals to the regional, although on occasion they do. College graduates are generally required to gain work experience before assuming supervisory duties.

Regionals may pay all costs, two-thirds or one-half the cost of retirement programs. Health program costs are generally shared evenly or the cooperative may pay two-thirds and employees one-third. Regionals are joining with insurers to partially or wholly finance their own insurance and employee benefit programs, including those of member locals.

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LOCAL COOPERATIVES

The boards of directors of local cooperatives affiliated with Midsouth regionals hire managers, set policy, and make decisions in the interest of their local cooperative. The locals are operated free of regional direction, but consider regional input, advice, and recommendations to improve their own operations. They support regional objectives and work with regional management to strengthen the cooperative system.

Locals determine product purchases, facility and equipment needs and financing, set sales policies and credit terms, and in general make decisions independent of the regional.

Locals, however, seek advisory assistance in management practices, in product sales, in general operations, and sometimes in financial assistance from the regional. Locals use and depend upon the services provided by regionals to supplement and support their local operations.

Products, Services, and Facilities

Many locals operate in a single county area. For example, 86 locals with 116 outlets serve farmers in 86 of 95 counties in Tennessee. Many locals offer all the products and services of the regional, although this varies among local cooperatives and individual product lines depending upon the needs of local farmers and needs supplied by competitors. Some manufacture feed, blend fertilizer, clean seed, test soils, distribute petroleum, and repair autos, trucks, and farm equipment.

Locals typically purchase between 80 and 90 percent of products from the regional. Locals pick up supplies at the regional warehouse or direct from the manufacturers. About half of local supplies are delivered by truck from the regional warehouse. Locals have trucks to market products from the farm, deliver products to the farm, and transport products and supplies to other cooperatives.

Locals operate facilities for storing and marketing grain, soybeans, plants, and peanuts in addition to cleaning seed, drying grain, storing and blending fertilizer, and soil analysis. Some have equipment for farm application of lime, fertilizers, chemicals, and sprays. Cooperative retail stores also handle light tools, hardware and paint, lawn and garden, and home supplies, including credit and financing services.

Sales Trends and Operations

Trends in sales and operating data of 12 locals are presented as average operations in time periods so that other locals may select and compare their margins and operations.

Feed accounted for 24 percent of average local sales in 1973 and 19 percent in 1983. Fertilizer held near 30 percent of local sales in 1973 and in 1983, while farm supplies held about 18 percent of sales in those years. Chemical sales showed the greatest growth at 25 percent annually and petroleum had an annual growth rate of 21 percent (table 9).

Lower sales volume in 1982 and 1983 adversely affected the average annual rate of growth (table 9). The peak sales year of 1981 would more accurately represent normal rate of growth from 1973. For example, member locals reporting supply sales by item averaged annual growth rates of 27 percent to 1981 and 16 percent to 1983.

The 27-percent annual growth rate for locals to 1981 compares favorably with the 29-percent rate for regional cooperatives. The 16-percent growth rate for 12 locals to 1983 was about equal to the 17-percent rate for Midsouth regionals from 1973 to 1983.

Average Member Local Balance Sheet

Balance sheet data were provided by 12 member locals, three from each of four States. Data were combined and an average balance sheet is shown for 1978 and 1983 in table 10.

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From 1978 to 1983, liabilities increased slightly faster than assets for the local cooperatives. Liabilities rose from 30 percent to 32 percent with current liabilities increasing to 25 percent and term liabilities declining to 7 percent. As a result, equity declined from a high of 70 percent in 1978 to a comfortable 68 percent in 1983 (table 10).

Average Local Supply Operations

Average local supply sales increased 7 percent annually from 1978 1983. Gross and net margins decreased slightly and net margins fell from 5.6 percent of sales in 1978 to 4.0 percent in 1983 (table 11).

Table 9—Trends in average supply sales of 12 local cooperatives

Item	1973	1978	1983	Annual growth
		----- 1,000 dollars -----		*Percent*
Feed	444.8	747.8	906.8	10
Seed	153.5	276.7	323.7	11
Fertilizer	528.5	1,014.0	1,433.0	17
Chemicals	193.7	484.5	687.0	25
Petroleum	166.3	317.0	518.5	21
Supplies	352.2	616.0	858.5	14
Total	1,839.0	3,456.0	4,727.5	16

Table 10—Average member local balance sheet

Item	1978		1983	
	Amount	Percentage	Amount	Percentage
	$1,000	*Pct.*	*$1,000*	*Pct.*
Assets:				
Current	1,018	50	1,584	54
Fixed	513	25	642	22
Investments	515	25	710	24
Total	2,046	100	2,936	100
Liabilities:				
Current	403	20	749	25
Long-term	207	10	203	7
Total	610	30	952	32
Equity:				
Capital stock	152	7	138	5
Patrons' equity	1,055	52	1,602	55
Reserves	229	11	244	8
Total equity	1,436	70	1,984	68
Total liabilities and equity	2,046	100	2,936	100

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Cost of sales increased faster than sales volume from 1978 to 1983 causing gross margin percentage to decline slightly from 1978. Percentage of service income increased, operating expenses held about even, but other income declined lowering net margins from 5.6 percent in 1978 to 4.0 percent of sales in 1983 (table 11).

Average Total Sales of 12 Member Locals

Average total sales for these locals increased 9 percent annually from 1978 to 1983 compared to 7 percent for supply sales. Gross and net margins as a percent of sales, declined and net margins fell from 5 percent in 1978 to 3 percent in 1983 (table 12).

Marketing sales accounted for 27 percent of total sales in 1978 and 31 percent in 1983, but lower margins in marketing pulled net margins from 5.6 percent of supply sales to 5 percent of total sales in 1978 and from 4 percent to 3 percent in 1983.

Local Structure and Policies

Each member local has a board of directors to set policy and a general manager to direct operations. Locals operate independently of the regional and make their own decisions in the interest of farmer members. Local managers report that regionals do not interfere in local operations, but will give advisory and other assistance when requested. Some locals obtain financial assistance from the bank for cooperatives through the regional and sometimes directly from the regional.

Boards of directors of local cooperatives are smaller than regional boards, averaging eight members, 54 years of age, 68 years for older members, and 30 years for the younger group. The older group above 54 years of age averaged 37 years of farm experience and 17 years on the board, while the younger group below 54 years of age averaged 11 years farming and 2 years as direct: . Like the regional boards, local directors generally meet monthly to assess operations,

Table 11—Average local supply sales and operating margins

Item	1978		1983	
	Amount	Percentage	Amount	Percentage
	$1,000	*Pct.*	*$1,000*	*Pct.*
Supply sales	3,425	100.0	4,692	100.0
Cost of sales	2,924	85.4	4,067	86.7
Gross margin	501	14.6	625	13.3
Service income	65	1.9	108	2.3
Operating income	566	16.5	733	15.6
Operating expense	439	12.8	581	12.4
Operating margin	127	3.7	152	3.2
Other income	97	2.8	67	1.4
Total margin	224	6.5	219	4.6
Indirect expense	33	.9	30	.6
Net margin	191	5.6	189	4.0

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determine policy, and set guidelines for general manager execution. More than usual, Midsouth local boards tend to be more active and involved in operations of their cooperative.

General managers at the local cooperatives speak very favorably of board members and call their boards the backbone of the cooperative. They average 15 years' experience at the cooperative, 11 years as general manager, and 5 years' experience at another cooperative. Eight managers reported that guidelines were clearly set by their boards and four reported room for interpretation. Managers often spoke of dedication to cooperative principles and loyalty to the regional cooperative. They look to their farmer directors for guidance, but assume the direction and responsibility of the daily activities of the local cooperatives.

As a federated member of a regional, local cooperatives depend on the regional to supply most of their needs. Working closely with the regional to serve the farmer, their policies and practices generally follow those of the regional, except where local conditions are different and unique. In these instances, local operations will vary to serve member interests. They not only depend on the regional to supply most of their products, but request regional support of services to support and supplement their own operations.

Member locals welcome field representatives from the regional. Local managers know they will get the latest technical product information along with advice on any operating problems at the local. This communication and support by regional representatives influence local efforts to provide more products and services to farmers in the local area. Efforts by regionals to better serve locals improves working relationships within the cooperative system and develops commitment at both the local and regional level.

Locals may purchase supplies from regionals on credit, pick up needed supplies most any time, are not required to overload inventory, and share in insurance and health benefit programs of the regional. Local management determines participation in regional programs, operating policies and practices, and farmer needs. By working closely with the regional, each contributes and influences the operations of the other and of the cooperative system, while each maintains final authority for itself.

Table 12—Average total sales and operating margins

Item	1978		1983	
	Amount	Percentage	Amount	Percentage
	$1,000	*Pct.*	*$1,000*	*Pct.*
Total sales	4,682	100.0	6,810	100.0
Cost of sales	4,122	88.0	6,106	89.7
Gross margin	560	12.0	704	10.3
Service income	88	1.8	146	2.1
Operating income	648	13.8	850	12.4
Operating expense	486	10.4	652	9.5
Operating margin	162	3.4	198	2.9
Other income	116	2.5	75	1.1
Total margin	278	5.9	273	4.0
Interest expense	43	.9	67	1.0
Net margin	235	5.0	206	3.0

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EVALUATION OF PRESENT PERFORMANCE

Regional and local managers were asked to evaluate the present performance of the cooperative system on the basis of rating 10 management practices at different levels of operation. In tables 13 through 16, regional managers rated management practices as needing improvement, neutral, or no improvement needed. Local managers rated management practices at the local cooperative. Regional managers evaluated local performance and local managers evaluated cooperative performance of farmer members.

System Evaluation by Regionals

A "no improvement needed" rating was made by the four regional managers in authority delegated to general managers by boards of directors. Board members maintain a reasonable balance on local as well as total cooperative issues. Functions and responsibilities of boards and management were clearly understood, were each rated by three managers as "no improvement needed" and by one as "neutral" (table 13).

Three of four managers indicated that two management practices needed improvement. Board members know and understand financial operations of the cooperative and management and staff participate in education and training programs, while one manager rated both practices "neutral" (table 13).

System Evaluation by Local Managers

The same management practices were rated by 10 member local managers for local cooperative operations. Five of 10 managers rated two practices, functions and responsibilities of boards and management clearly understood and manager effectively delegates authority to subordinates, as

Table 13—Regional managers rate management practices

Management practices	Improvement needed		
	Some	Neutral	None
		Number	
1. Management structure clearly indicates responsibility of board, manager, and staff	2	2	0
2. Functions and responsibilities of board and hired management are clearly understood	0	1	3
3. Management promotes programs to improve member and public relations	2	1	1
4. Management regularly reviews the decision making process	2	0	2
5. Regular discussions on finances, sales, costs, and earnings are held by management	0	1	3
6. Management and staff participate in cooperative education and training	3	1	0
7. Board members know and understand financial operations of the cooperative	3	1	0
8. Board members maintain reasonable balance on local as well as total cooperative issues	0	1	3
9. Board delegates authority and responsibility to general manager in daily operations	0	0	4
10. General manager effectively delegates authority to department heads and subordinates	0	2	2

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"needing no improvement." For each practice, three managers rated "some improvement needed" and two indicated a "neutral" rating (table 14).

Management practices needing most improvement, as rated by four managers, included (1) management promotes programs to improve member and public relations, (2) management regularly reviews the decisionmaking process, (3) management and staff participate in education and training programs, and (4) board members know and understand financial operations of the cooperative.

Local Evaluation by Regionals

Regional managers say that regionals appreciate the support and the business of member locals and that member locals are treated as owners of the regional. These and other practices affecting working relations, communications, and operating performance among locals and regionals were evaluated by regional managers.

Regional managers noted that some improvement was needed in member local performance. For one practice (regional board members visit their member locals from time to time) some improvement needed was indicated by half the regional managers. In two practices, regionals noted that improvement was needed in encouraging locals to suggest operating improvements and make them known to regional management (table 15).

Member Evaluation by Locals

Farmers feel welcome and their business appreciated at their local cooperative. Four managers

Table 14—Local managers rate management practices

Management practices	Improvement needed		
	Some	Neutral	None
	Number		
1. Management structure clearly indicates responsibility of board, manager, and staff	3	3	4
2. Functions and responsibilities of board and hired management are clearly understood	3	2	5
3. Management promotes programs to improve member and public relations	4	2	4
4. Management regularly reviews the decision-making process	4	3	3
5. Regular discussions on finances, sales, costs, and earnings are held by management	2	5	3
6. Management and staff members participate in cooperative education and training	4	2	4
7. Board members know and understand financial operations of the cooperative	4	3	3
8. Board members maintain reasonable balance on local as well as total cooperative issues	2	5	3
9. Board delegates authority and responsibility to general manager in daily operations	1	3	6
10. General manager effectively delegates authority to department heads and subordinates	3	2	5

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checked "neutral," five marked "no improvement needed," and one marked "some improvement needed." Farmer members strongly support the cooperative. Six say member support needs improvement. Farmer members view local cooperative management as team oriented. Nine of 10 managers agree. These and other factors dealing with member support of local cooperative operations were [illegible] and rated by local managers (table 16).

According to the management practices listed and rated, 10 local managers were satisfied with member support two-thirds of the time and improvement was needed about one-third of the time. Managers noted that improvements needed were more the responsibility of cooperative management than members and that efforts to satisfy members never ends, nor should it.

Performance Ratings

The 10 management practices apply to cooperative operations generally, but represent only one part of cooperative performance. For instance, management handling and treatment of employees, delegation of authority and responsibility, and the actions of employees in creating a favorable cooperative environment must be considered in performance evaluation. However, combined ratings of regional and local managers can be used in developing criteria for evaluating performance.

At Midsouth regionals, where board members are invited and assume a more active role in operations, managers indicated that some improvement was needed. Another practice marked for improvement was participating in cooperative education and training by staff and management.

Table 15—Regional managers evaluate member local performance

Management practices	Improvement needed		
	Some	Neutral	None
		Number	
1. Member locals are welcomed and their business is appreciated at the regional	0	0	4
2. Member locals are treated as owners of the regional by management and staff	0	1	3
3. Member locals have input and feel they are important to the operations of the regional	1	0	3
4. Member locals encouraged to suggest improvements in regional operation	1	1	2
5. Member locals often request new products and new services from the regional	1	2	1
6. Member locals feel that large volume members are treated differently	0	2	2
7. Regional board members visit member locals from time to time	2	2	0
8. Member locals view regional management as team oriented in working with locals	0	1	3
9. Member locals strongly support the regional cooperative	1	0	3
10. Member locals expect some changes in regional cooperative operations	1	1	2

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Rating their own operations, local managers agreed that improvement was needed in management practices above and added improvement needed in two others: (1) management promote programs to improve member and public relations and (2) management regularly review and discuss decisionmaking processes. Half the local managers indicated a "neutral" rating, along with "improvement needed" in regular discussions of finances, sales, costs, and savings in local cooperative operations.

Regional managers all agree that member locals feel welcome at the regional, that they are treated as owners, have input into regional operations, and that regional management is team oriented in dealing with locals. Two managers believed there is room for improvement in regional board member visits to locals in their respective areas. One manager suggested that member local support of the regional could be improved. In contrast, locals expressed shortcomings in communicating with regionals and getting products and services on short notices. Regionals agreed both practices are being improved.

Member performance needs the most improvement, according to local management. While member locals support regionals and regionals challenge locals to offer new services, many farmers have not been sold on the cooperative business. Six of 10 local managers said, "member support of the local needed most improvement." Local board members visiting farmers in their areas need to sell problem-solving skills of the cooperative. More farmers need to feel more involved in operations so they will make inputs to improving operations. The less-than-successful local needs to determine the farmers' problems and needs to change operations to supply the skills needed to solve specific problems. Too many locals have not geared operations to meet the changing needs of farmers.

Table 16—Local managers evaluate member performance

Management practices	Improvement needed		
	Some	Neutral	None
		Number	
1. Members and patrons feel welcome and their business appreciated at the cooperative	1	4	5
2. Farmer members are treated by staff, as owners of the local cooperative	4	3	3
3. Members have input and feel important to the operation of the cooperative	2	4	4
4. Members encouraged to suggest improvements in cooperative operations	4	3	3
5. Members often request new products and new services	2	4	4
6. Farmers feel that large volume members are treated differently	3	3	4
7. Local board members visit cooperative members on their farms	5	4	1
8. Farmer members view cooperative management as team oriented in working with regionals	1	3	6
9. Farmer members strongly support the cooperative	6	2	2
10. Members expect some changes in local cooperative operations	3	2	5

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ANALYSIS OF FACTORS LEADING TO GROWTH

Four regional and 10 local cooperative managers evaluated and ranked in importance 10 factors contributing to cooperative growth in the Midsouth. The factors in table 17 are listed in the order ranked by regional managers, with corresponding number ranking by local cooperative managers.

By a wide margin, regional managers ranked cooperative management as the most important factor contributing to cooperative growth. Cooperative personnel was ranked second. Meeting farmers' needs and operating efficiency were ranked third and fourth.

Ten local managers ranked two factors, member support and farmers' needs, exactly even as the most important factors contributing to growth. Cooperative management and cooperative personnel were ranked third and fourth by local managers and in line with the ranking by regional managers.

Significance of Manager Ranking

Managers' ranking of growth factors reflect the character of cooperative management, personnel, and operations in the Midsouth. While the objectives of federated local and regional operations are different, the purpose of each is to serve the farmer. Individual responsibility communicated between local and regional personnel strengthens the team character of organizations that train people to serve each other, the cooperative, and the farmer. This may be said of other local and regional operations, but the almost comparable ranking of applicable growth factors by local and regional managers supports teamwork operations as the basic factor of unparalleled growth of Midsouth cooperatives.

Table 17—Important growth factors ranked by cooperative managers

Cooperative growth factors	Manager ranking	
	Regional	Local
o Cooperative management	1	3
o Cooperative personnel	2	4
o Meeting farmers' needs	3	[1]1
o Operating efficiency	4	5
o Competition	5	7
o Regional cooperative	6	8
o Farmer directors	7	6
o Member support	8	[1]1
o Interregional cooperative	9	10
o Cooperative structure	10	9

[1]Tie score for first ranking.

Table 18—Growth rates for supply cooperatives, 1953-83

Cooperative location	Annual rate of growth to 1983		
	From 1953	From 1963	From 1973
		Percent	
Midsouth	46	26	23
Midwest	27	16	20
United States	24	17	17

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In ranking cooperative management first and cooperative personnel second, regional managers credited the important role of management and personnel in acquiring and delivering needed products and services to member locals. To purchase only what farmers needed, at the best price, and deliver products and services at least cost, regional managers ranked farmers' needs third and operating efficiency the fourth most important growth factor.

With the objective of meeting farmers' needs and gaining member support and sales, local managers ranked both even as top growth factors. Experienced managers, listening to farmers' over time and knowing management and employees must provide the skills to solve farmer needs, ranked management and employees third and fourth most important growth factors. Top rankings of managers signify the difference between regional wholesale and local retail operations.

Close and nearly parallel ranking of growth factors by 10 local and 4 regional managers tells more about the working relationship established between regional and local Midsouth cooperatives than any activity or structure. Member support, ranked eighth by regional and tied for top ranking by local managers, is an exception easily understood when objectives of locals and regionals are considered. Since member locals purchase about 90 percent of supplies from regionals, their loyalty may be taken for granted.

It is significant, but not surprising, that regional managers ranked their cooperative as the sixth most important growth factor. It follows their philosophy of serving the farmer and member local ahead of the regional. Lower ranking of the regional by locals reflects local independence on the one hand and regional taken for granted on the other hand. It is proof of a team effort that regional and local cooperatives work together to serve the farmer.

Analysis of External Growth Factors

From 1953 to 1963, supply cooperatives in the Midsouth grew faster than cooperatives in the Midwest and the United States. Rate of growth slowed during the 1960's for cooperatives as well as other business firms, due partially to low inflation during the period. However, Midsouth cooperatives continued to lead cooperative growth during the periods and from 1973 to 1983 (table 18).

The faster growth of supply cooperatives in the Midsouth may have been influenced by other than internal management practices and operations. Analysis of several outside growth-related factors shows limited impact on faster cooperative growth. Thus, the cooperative system was generally responsible for the faster rate of growth in the Midsouth.

Growth and Change in Midsouth Agriculture

Trends to diversified farming from cotton and fruit and vegetable production changed demand for farm supplies handled by the Midsouth cooperatives. Increases in poultry, dairy, and livestock production required more and different kinds of feed. Increases in soybean, wheat, corn, rice, and hay acreage required greater use of fertilizer, lime, and chemicals. Farm mechanization demanded more petroleum, repair parts, and farm supplies. However, farm production expenditures in the Midsouth increased about the same as in other regions and at a slower rate than cooperative supply sales. Thus, growth and change in Midsouth agriculture over time had very little effect on cooperative growth.

Timing of Regional Development

While Midsouth regionals started operations later than Midwest regionals, all had their greatest growth during the 1950's (table 18), a period of continuing economic expansion following World War II. Although economic and cooperative growth slowed after 1963, Midsouth cooperatives

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continued to lead other cooperatives in rate of growth. One reason may have been the early operations from the 1920's of many locals that organized the regionals. These in turn were strongly supported in their organizational and early operating efforts by State Farm Bureaus and Extension Services in the Midsouth.

Competition and Geographic Focus

Midsouth regionals generally operate free of cooperative competition. Having been organized to serve locals mostly within the State, they have followed this tradition—except in Louisiana—where locals were free to chose membership in either of two neighbor State regionals. Regionals have continued to improve services to member locals within the State and to work with neighboring regionals to improve the cooperative system. A similar working relationship exists generally between local operations within the State.

From the beginning, member locals have encouraged regionals to acquire products and services close to home to assure a source of supply at lower cost. Serving nearly all member locals in a State area compared with serving scattered locals in a multi-State area has meant lower unit product costs, lower fuel costs, lower equipment costs, increased productivity, and operating efficiency that effectively benefit farmer members.

Summary

Cooperative management and cooperative employees at both the regional and member local working together make the system work. Regional managers say it requires good educational and practical training programs to develop teamwork, but nothing beats experience gained in practiced communications to make it work.

Management practices coordinated at the regional level and shared with local managers serve as the guiding principles of Midsouth cooperative operations. These complementary practices of regional input to local operations and local commitment to regional support, suggest teamwork may widen and improve conditions for greater growth.

In this federated system, regionals challenge member locals to sell new products, sell skills to improve and increase services to farmers, and provide field forces knowledgeable in many areas to work with managers, boards of directors, and farmers when they can be helpful and are needed.

Local boards and managers make their own decisions. However, they rely on regionals for their products, services, and support in many phases of operation. Local managers through their organization have direct input into regional operations and credit their boards of directors in guiding local operations and strongly supporting the regional.

Regional managers said the key to faster cooperative growth was working through the cooperative system to serve farmers first, member locals second, and regional cooperatives third. Long dedicated to serving the farmer, regional management has promoted a cooperative environment of teamwork through leadership example and communication. This philosophy has spread throughout regional and local operations. Management believes that locals and regionals must work hand in hand to make the cooperative system serve farmers efficiently and effectively.

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Agricultural Cooperative Service
Washington, D.C. 20250

Agricultural Cooperative Service (ACS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

ACS publishes research and educational materials and issues *Farmer Cooperatives* magazine. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.

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